

**Eastern Montana Industries
Legislative Interim Committee Report
March 13, 2014**

Background

Eastern Montana Industries provides vocational and residential services to adults with disabilities in twelve southeastern Montana counties. This includes 8 group homes, supported living services, and day programs in both Miles City and Glendive.

Specific to Medicaid funded services through DDP (Developmental Disabilities Program of the DPHHS), we have 73 full-time direct care positions and 24 permanent part-time positions, for a total number of 97 direct care permanent staff positions. In addition, we employ relief staff to fill in during absences/shortages of regular staff.

Staffing Shortages

Due to the effects of the Bakken, we cannot fill many of these positions. Of our 97 permanent positions, 32 of these are currently open (33%); and of those 32 positions that are open, 22 of them are full-time positions. It is much worse specific to group home services where 30 of the 69 permanent positions are open (43%); and even worse the closer our services are to the Bakken. In Glendive, 15 of our 28 direct care positions are open (54%). The only way we have been able to keep services going is through relief staff - employees who want to work a little but do not want to apply for permanent positions with set schedules. For a number of years we even hired extra employees in Miles City and then transported them by vans to work in Glendive, but as the staff shortage hit Miles City several years ago, we no longer have been able to do that.

Efforts to attract employees have included the usual methods of posting at job service and ads in the local papers. We also attend all job fairs and post openings at the local community colleges. We provide a \$1,000 sign on bonus for new employees, paid out at \$250 at the end of each quarter; and a recruitment bonus of \$300 (for current employees) for each new employee they bring to our agency.

Staffing shortages cause a host of problems, from health and safety concerns to an inability to effectively serve or meet all of the needs of the individuals we serve. It also prevents us from accepting any new referrals for services or to help with the efforts to reduce the number of individuals at MDC (Montana Development Center).

Staffing shortages, if severe, can also affect our ability to invoice, as invoicing for group home services is tied to meeting minimum staffing ranges. This has affected us for several years now, but has been much worse since the start of FY14. Through the first 6 months of FY14 we have not been able to access over \$70,000 in funding due to staff shortages. We provided the service, we just weren't able to invoice for it because payments are tied to staffing levels. ***I believe this system is somewhat unique to DDP services in Montana. Long term care facilities are paid a daily rate based on residents attendance, and mental health day treatment programs are paid based on program attendance as well. Neither of these service provider systems, to my knowledge, are required to track employee hours for invoicing purposes like DDP providers are.***

Finally, staffing shortages also **increase** costs, as the number of overtime hours increase dramatically when you have numerous openings. Direct care overtime costs through the first six months of FY14 were over \$40,000, so when you combine this increased cost with the revenue loss of \$70,000, the bottom line effect of revenue loss and increased expense is around \$110,000 through the first six months of our fiscal year.

Primary Reasons for Staffing Shortages

An extremely low unemployment rate in our area (3% or less), means our labor pool is very small, even smaller once we complete the necessary background checks. An employment rate of 3% or less generally means that nearly everyone who wants to work or is employable is already working.

Due to the effect of the Bakken, we are also not able to pay a competitive wage. Our starting wage for direct care work is \$9.25/hr., which is less than wages paid to other service industry workers, in some cases, significantly less. In a normal business atmosphere a business owner can raise the prices charged for goods/services to cover any needed salary increases for employees. We are of course not able to do that as our "prices" are set by the state through the rate system, and any changes to them must go through the governor and the legislature.

What is even more unfortunate is that the wages we pay are often not even a livable wage, especially for a single mother (the majority of our direct care workers are female). The effects of the Bakken have raised rent and the cost of goods/services in our area dramatically, much higher than any of the increases in the DDP rate schedule.

Rate System & Costs - Group Homes

The current rate that our program receives for group home services is \$19.28 per direct care hour of support. That may seem like a lot, but not when you factor in mandatory and non-mandatory benefits. A breakdown of the actual cost of a new direct care employee is provided below.

Cost Center	Multiplier	Annual Cost	Hourly Cost
Starting Wage	\$9.25/hr	\$19,200.00	
Mandatory Benefits (FICA, Work Comp., Unemployment.)	15.26%	\$2,929.92	
Health/Life Insurance	\$517/month	\$6,204.00	
37 PTO Days (holidays, vacation, sick)	Wages & Man. Ben.	\$3,156.00	
Sign-on Bonus*	\$250/quarter	\$1,000.00	
Year-end Bonus	\$200/annually	\$200.00	
Total Wage & Benefits Cost		\$32,689.92	\$15.72/hr.

*Sign-on bonus is replaced by a 3% increase in wages after the first year

Through the first six months of FY14 our group home program revenue was \$987,095, with expenses of \$986,912. Of that, \$805,590 (81.6%) was paid out in direct care salaries and benefits. Administrative salaries and benefits were \$39,222 (4%). Support staff expenses, which include a behavioral specialist, program coordination for both Miles City and Glendive, and office support for invoicing and managing the finances for our 47 group home residents, totaled \$111,882 (11.3%). The remaining \$30,218 in expenses were program costs (3.1%). The most notable of these program costs were building & liability insurance (\$7,584), supplies (\$6,465), technology purchases/support (\$6,323), and direct care staff recruitment expense (\$3,726).

Conclusion

A continued increase in the rate system is desperately needed. Most providers realize that the state only has so many dollars available and that priorities need to be set, but if we want to provide quality services that stand up to Medicaid audits, then we need to be able to pay competitive wages and employ quality staff. I have worked as a DDP provider for over 33 years, and have never seen the problems we are currently experiencing with being able to hire quality employees. This is directly tied to our inability to pay competitive wages in our service area.

Another needed change is simplifying the invoicing procedures for group home services. As mentioned earlier, most service providers (i.e. long term care, mental health services, etc.) invoice based on program attendance; however DDP has instituted an elaborate invoicing system based on the number of direct care hours of support provided to each group home resident. This means that the state (DDP), for all intents and purposes, sets our staffing schedules and even tells us how many staff hours of support we need to provide (we invoice directly from staff time sheets). This is micro-managing at its best - by controlling our direct care staffing patterns the state effectively controls nearly 82% of our budget. A simple change in the invoicing system to one based on program attendance would allow us to manage our own staffing patterns and better control costs. In some instances we may even be able to reduce staff numbers in order to pay higher wages to remaining staff. Most providers believe that the quality of their services are tied to the quality of their staff, not solely to the number of staff working (i.e. one good employee is often better than two marginal ones).

Thank you for allowing us to provide testimony and information on our service system. Montana is a vast and diverse state, and sometimes the issues in one region may differ significantly from those in another part of our state. For providers in southeastern Montana, the effects of the Bakken oil development have been significant.